

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**Telecommunications Division
Public Program Branch*****RESOLUTION T-16895
Date: February 10, 2005****R E S O L U T I O N****Resolution No. T-16895. To Establish the Deaf and Disabled
Telecommunications Equipment and Service Program (Public
Utilities Code Section 2881, Et Seq.) 2005-2006 Fiscal Year Budget
Pursuant to Decision No. 89-05-060.**

Summary

This resolution recommends an annual budget of \$66,800,000 for the Deaf and Disabled Telecommunications Equipment and Service Program (DDTP), pursuant to Public Utilities (PU) Code Section 2881, et seq. for Fiscal Year (FY) 2005-2006.

Telecommunications Division (TD) staff used the actual expenses from fiscal year 2003-2004 in the development of the 2005-2006 budget. In the past, the most recent expense figures available during budget development were almost two years old. The more current data allows TD to project program expenses with more accuracy for the coming fiscal year. In addition to actual expenses from fiscal year 2003-2004, this budget was developed using known and anticipated changes in program expenses.

Because DDTP operations are still transitioning into the form anticipated by SB 669 (1999) and AB 1734 (2002), the budget figures contained in Appendix A of this document are formatted differently from past years. The expenses are aggregated into broader categories, but all program operations are represented within those categories.

Background

The Commission established the DDTP and has expanded it by Commission order and implementation of three legislative mandates. The three legislative mandates are: PU Code Section 2881(a) which authorizes the provision of TTYs to deaf or hard of hearing individuals; PU Code Section 2881(c) which authorizes the provision of other specialized telecommunications equipment to consumers with hearing, vision, mobility, speech, and cognitive disabilities; and PU Code Section 2881(b) which uses third-party

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intervention, also known as the California Relay Service, (CRS) to connect consumers who are deaf or hearing impaired with hearing parties. The DDTP was previously managed by an external staff acting as agents of the Commission. The DDTP Administrative Committee (AC) administered the DDTP and oversaw its finances. Two advisory committees, the Equipment Program Advisory Committee (EPAC) and the CRS Advisory Committee (CRSAC), advised the DDTPAC on the equipment and relay service programs.

SB 669, signed by Governor Gray Davis in 1999, changed the operations of the Commission's public programs in two ways: 1) it transferred the funds for the programs from a bank trust fund to the State Treasury and, 2) it changed the duties of the administrative committees to those of advisory boards. The Commission successfully implemented the requirements of SB 669 by October 1, 2001 for the California High Cost Fund-A, California High Cost Fund-B, California Teleconnect Fund, and Universal Lifeline Telephone Services programs.

Because of the size of the DDTP and the complexities involved, the Commission sought an extension of the original deadline for the transfer of the DDTP funds. AB 1734, signed into law in June 2002, provided for an extension of the deadline for the transfer of DDTP funds from July 1, 2002 to July 1, 2003.

On December 17, 2002, the Commission adopted Resolution T-16703 approving a transition plan that included the release of an Invitation For Bid (IFB) to operate and manage the programs and services of the DDTP. On May 22, 2003, the Commission approved Resolution T-16740 awarding a two-year contract to operate and manage the DDTP to the California Communications Access Foundation (CCAF) and received subsequent approval from DGS. The current CCAF contract expires on June 30, 2005.

Discussion

2005-2006 DDTP Budget Changes

TD anticipates two potential program changes affecting the FY 2005-2006 budget cycle. They are: 1) extending and expanding the current captioned telephone trial and, 2) fiscal year 2005-2006 will be the first full year under the new California Relay Service contracts (CRS II). Also, the CPUC will be seeking extension of many DDTP contracts, which end June 30, 2005.

Telecom Expenses

Equipment Purchases

The recommended equipment purchases expense for fiscal year 2005-2006 is \$11.9 million. In this budget this expense is increased from the 2003-2004 actual expenses to account for an anticipated increase in equipment placements due to continued

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marketing events in the 2005-2006 budget period. In addition to the list of Commission approved equipment, the budget includes equipment costs for the captioned telephone expanded trial period. Captioned telephone service is a telecommunications service using specialized equipment that allows a user to hear the called party's response and read the text of the response simultaneously. The text of the response is provided through the use of communications assistants and voice recognition software. Currently, DDTP has been testing special captioned telephone equipment at no charge for the equipment through the provisions of a trial. The Commission has decided to expand the trial and to continue to offer this service.

The terms of the proposed contract to extend and expand the captioned telephone service must be finalized to provide specific and complete terms, to add required general terms and conditions, and to make any other revisions, including those required by the Department of General Services and the CPUC's Legal Division. Therefore, TD recommends that the Commission grant authority to the Commission's Executive Director to enter into the contracts to extend and expand provision of the captioned telephone service on a trial basis. TD has included estimated costs associated with the captioned telephone equipment into the 2005-2006 equipment program budget.¹

Additionally, this budget includes funds for the purchase of inductive coupler devices that were recently added to the Commission-approved DDTP equipment list.

Finally, the Commission should consider such topics as distribution of services and equipment and program structure. Emerging technologies, such as video relay service and the previously discussed captioned telephone service, are costly and the demand for such technologies is likely to be very high. The combination of high cost and high demand for such services will have a substantial long-term impact on the DDTP budget if they become permanent elements of the program. The Commission should explore more efficient ways of providing program services to clients. A formal proceeding should be opened to examine these issues.

The California Relay Service

As discussed previously, the CRS is undergoing a structural transition during the FY 2004-2005 budget cycle with part of the year's budget based on the old structure and part based on the new structure. The FY 2005-2006 budget is the first to be estimated entirely under the new CRS II contracts.

In addition to the implementation of the new CRS structure, the incorporation of captioned telephone service (as discussed above) will also have an impact on this portion of the budget. The billed minutes attributable to the captioned telephone

¹ Non-equipment costs associated with the billed minutes of captioned telephone use are reflected in the CRS section of the budget.

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service are included in the total CRS budget figure, but it is a service distinct from relay service and billed at a different rate than relay service. TD staff has estimated the captioned telephone monthly-billed minutes based on relay service usage and calculated the costs based on the estimated number of captioned telephone units in use per month.

Actual billed CRS minutes for fiscal year 2003-2004 remained steady over the course of the year. It is anticipated that the expansion of the captioned telephone trial may cause some migration of customers from the relay service to the captioned telephone service, reducing the number of relay service billed minutes. However, TD staff decided to maintain relay service expenses at the current level and wait until the effects of the expanded captioned telephone trial are known before instituting further budget changes to CRS.

TD recommends a total amount of \$32.7 million for the CRS program in the FY 2005-2006 budget.

Administrative Expenses

All Contracts and Consultants

TD recommends total expenses of \$19.3 million for contractors and consultants in the FY 2005-2006 DDTP budget. This figure includes the CCAF contract and contracts for field operations, the equipment distribution program, non-service aspects of the CRS program, customer contact, outreach operations and outreach media and materials.

Committee Expenses

Several additional committee expenses were incorporated into the FY 04/05 budget. To represent populations of the deaf, hearing impaired, and disabled communities that are not represented in the existing committee membership, two members satisfying these criteria could be added to each committee. Each committee member will be entitled to attend one convention / conference per year not to exceed \$2,000 per convention / conference. Finally, each committee will resume hosting at least one annual offsite committee meeting at a qualified learning facility for the deaf, hearing impaired and/or disabled or a public convention catering to the deaf, hearing impaired and/or disabled. The total costs of these additional committee expenses have been taken into consideration. Given the actual total committee expenses of \$82, 147 for FY 2003-2004, TD recommends \$420,000 for committee expenses in the FY 2005-2006 budget. This is a substantial decrease from the \$612, 988 recommended for the FY 2004-2005 budget, but TD believes it is a more accurate figure and is more than sufficient to cover all the committees' expenses in FY 2005-2006.

CPUC Staff Expenses

The FY2005-2006 budget includes estimated CPUC staff costs associated with the

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administration of the DDTP program. Several divisions within the CPUC are responsible for different aspects of the program. In addition to TD, Legal Division, Information and Management Services Division and the Administrative Law Judges Division all contribute staff resources to the program. TD recommends \$1.07 million for the FY 2005-2006 budget.

Administrative Expenses

TD recommends \$1.3 million in administrative costs for the DDTP FY 2005-2006 budget. The activities covered by these expenses include various audits of the program, inter-agency fees associated with staff resources from other state agencies, banking fees and data processing automation.

Comments

In compliance with PU Code § 311 (g), copies of the notice letter were e-mailed/mailed on February 10, 2004 to all telecommunications carriers, the parties of record to Investigation (I.) 87-11-031, Rulemaking (R.) 00-05-001, R.03-03-014, The Telecommunications Access for the Deaf and Disabled Administrative Committee members, California Relay Service Advisory Committee members and the Equipment Program Advisory Committee members informing these parties that this draft resolution is available at the Commission's website: www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm, and is available for public comments. In addition, TD informed these parties of the availability of the conformed resolution at the same website.

No comments were filed in response to this draft resolution although TD staff did receive input from TADDAC.

FINDINGS

1. The Telecommunications Division estimate of \$66.8 million for the 2005-2006 budget, as set forth in Column C of Appendix A, is reasonable for the Deaf and Disabled Telecommunications Program and should be adopted.
2. TD recommends that the Commission grant authority to the Executive Director of the Commission to enter into contracts expanding and extending the captioned telephone service.
3. The Commission should open a formal proceeding to consider such topics as equipment and service distribution, program structure, the impacts of emerging technologies and more efficient ways to provide program services to clients.

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THEREFORE, IT IS ORDERED that:

1. The fiscal year 2004/2005 budget for the Deaf and Disabled Telecommunications Program shall be \$66.8 million, as set forth in Column C of Appendix A of this resolution.
2. The Executive Director of the Commission is granted authority to enter into contracts to expand and extend the DDTP's captioned telephone service on behalf of the Commission.
3. The Commission will open an investigation to consider such topics as equipment and service distribution, program structure, the impact of emerging technologies and more efficient ways to provide program services to clients.

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This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 10, 2005. The following Commissioners adopted it:

STEVE LARSON
Executive Director

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APPENDIX A

Budget for Services provided to the
Deaf and Disabled Telecommunications Program
Fiscal Year 2005-2006

	A Actual 2003-2004 Expenses	B Adopted 2004-2005 Budget	C Recommended 2005-2006 Budget (in millions)
CPUC Staff Costs	\$ 297,851.00	\$ 323,000.00	\$ 1.07
DDTP Contractors and Consultants	25,946,619	23,755,346	19.30
DDTP Administration Expenses	28	720,000	1.30
California Relay Service	20,765,770	27,855,335	32.70
Equipment Purchases	9,740,983	13,429,176	11.90
TPIC		360,374	0.12
TADDAC	33,320	231,689	0.17
CRSAC	15,308	206,002	0.14
EPAC	33,519	175,297	0.11
TOTAL PROGRAM EXPENSES	\$ 56,833,398	\$ 67,056,219	\$ 66.80

The total expenses for fiscal year 2003-2004 include \$9 million encumbered for fiscal year 2004-2005.
The total expenses for fiscal year 2004-2005 include \$9 million encumbered for fiscal year 2005-2006
The total expenses for fiscal year 2005-2006 **exclude** \$9 million encumbered in fiscal year 2004-2005.